

MISC (MISC MK)

Crude Tanker Party Not Over; LNGC Risks May Be Next

Highlights

- **Several long-term implications from US-Iran conflict are positive for tankers.** Although the situation remains highly uncertain, we think: a) the energy security theme will extend towards strategic supply chain/routes, hence prolonging the multi-cycle highs for crude tanker time charter demands; b) Straits of Hormuz will no longer be just a chokepoint; and c) war insurance premiums surged from negligible to 5-10% of tanker values. Supported by the fact that tanker asset values are still on an uptrend, the rally still has room to run, extending now to mid-sized tankers, as markets recalibrate how much the Atlantic basin can fill the void of choked-off Gulf crude exports. AET made history for “reshaping crude trade flows” transporting WTI crude to Greece.
- **We see more near-term trading upside; advise taking profit once markets price in longer force majeure event.** In tandem with global crude tanker stock valuations (trading at 1.1x P/NAV), we think markets have yet to fully price in the upside of MISC’s petroleum division. We do not expect MISC to benefit from LNGC markets; however, downside risks may be the focus once the Qatari LNG force majeure extends beyond four months (currently, the production halt is extended to mid-Jun 26).
- **Maintain BUY** with a higher target price of RM9.50.

Analysis

- **Long-term implications from US-Iran conflict positive for tankers,** although developments and the duration remain highly volatile and unpredictable. Some trends we identified include: a) governments revisiting the “energy security” theme, potentially extending scope of consideration to include strategic supply chains/trade routes; b) Straits of Hormuz is no longer a chokepoint, but a conditional corridor where access is limited to transit alongside Iranian territorial waters – this being the key difference vs the Suez/Panama Canals which are open to international passages; and c) war-risk insurance premiums surged from 0.25% to 5-10% of tankers’ hull value per transit (>US\$1m in value). In general, such costs are passed through to the charterers and end-clients.
- **Key beneficiary of rally in crude tanker rates.** MISC’s petroleum fleet has a 25% spot mix. Ytd, crude tankers have enjoyed a two-phase rally. The first rally in Jan-Feb 26 was still fundamentally driven, relative to the current phase after 28 Feb 26, which was entirely geopolitical-driven. Tradewinds reported recently that Okeanis’ Eco Tankers’ VLCC Nissos Donoussa (built 2019) was fixed at US\$751,615/day for Trafigura for loading in early-Apr 26.

Key Financials					
Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	13,237	11,146	12,889	13,613	13,727
EBITDA	4,223	4,780	4,692	5,285	5,199
Operating profit	1,284	2,226	2,987	3,432	3,181
Net profit (rep./act.)	1,194	1,700	2,676	3,109	2,865
Net profit (adj.)	2,340	2,368	2,676	3,109	2,865
EPS	52.4	53.1	60.0	69.6	64.2
PE (x)	15.7	15.6	13.8	11.8	12.9
P/B (x)	1.0	1.1	1.0	1.0	1.0
EV/EBITDA (x)	10.0	10.0	8.9	8.2	7.5
Dividend yield (%)	4.4	4.4	4.4	4.4	4.4
Net margin (%)	14.9	9.0	18.5	20.8	22.8
Net debt/(cash) to equity(%)	23.4	19.9	23.0	23.4	24.0
Interest cover (x)	5.9	8.2	8.4	9.1	8.8
ROE (%)	3.2	5.7	7.3	8.3	7.5
Consensus net profit	n.a	n.a	2,509	2,680	2,800
UOBKH/Consensus (x)	n.a	n.a	1.07	1.16	1.02

Source: MISC, Bloomberg, UOB Kay Hian

BUY (Maintained)

Share Price	RM8.25
Target Price	RM9.50
Upside	+15.2%
Previous TP	RM8.70

Analyst(s)

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Stock Data

GICS Sector	Industrials
Bloomberg ticker	MISC MK
Shares issued (m)	4,463.8
Market cap (RMm)	36,826.0
Market cap (US\$m)	9,206.5
3-mth avg daily t'over (US\$m)	3.5

Price Performance (%)

52-week high/low					RM9.04/RM6.50
1mth	3mth	6mth	1yr	YTD	
0.1	4.5	11.6	12.9	5.8	

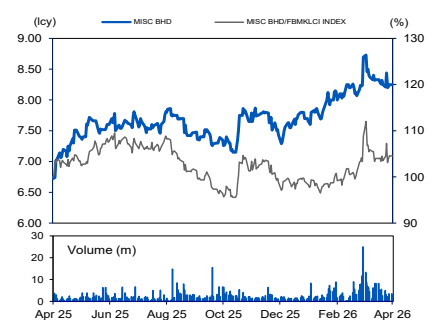
Major Shareholders

	%
Petroleum Nasional Bhd	51.1
Employees Provident Fund	15.0

Balance Sheet Metrics

	%
FY26 NAV/Share (RM)	8.65
FY26 Net Debt/Share (RM)	2.74

Price Chart



Source: Bloomberg

Company Description

Shipping Company. It employs finance lease (FL) accounting for assets in which it has long-term charter contracts, especially liquefied natural gas carriers (LNGC). It also operates very large crude carriers (VLCC), mid-sized tankers, and dynamic positioning shuttle tankers (DPST). Offshore division operates floating, production, storage and offloading (FPSO) vessels

- The rally still has room to run...** On 30 Mar 26, Tradewinds reported rumours of an “eye-watering” daily rate of US\$950,000 for an Aframax for a short-term lightering voyage. Veson Nautical revealed very important data, ie total tanker tonne-mile fell by 16% in Mar 26. Within this, VLCC tonne-mile shrank by 20% in tandem with the collapse of Gulf crude exports. However, mid-sized tankers tonne-mile improved by 7%.
- ...as attention shifts to mid-sized tankers’ role in reshaping crude flows.** With virtually all VLCCs being booked, it appears the rally is extending towards mid-sized tankers, which support more non-Gulf, shorter haul trade flows. Markets are testing how much the Atlantic basin can fill the void left behind by choked-off Middle East flows. Although we were not guided on the number of tankers up for renewal in 1H26, we were surprised that its petroleum unit, American Eagle Tanker (AET) made history in “reshaping crude trades” (RHS table). MISC owns 11/6/18 of VLCC/Suezmaxes/Aframaxes, in other words 41% of mid-sized tankers mix, within its owned petroleum fleet of 58 tankers.
- Crude tanker stocks worldwide are trading at 1.1x P/NAV.** As of late-Mar 26, the US-Iran war had significantly increased tanker asset values due to shipping disruption in the Strait of Hormuz. VLCC modern resale prices surged to approximately US\$175m-189m. Even for second-hand sales, specifically VLCCs aged five years and VLCCs aged over 15 years, resales had surged by 17%/29% to US\$120m/US\$80m respectively. While stock market behaviour is suggesting more optimism, we wish to highlight that if the disruption extends beyond the short-term period, it could shift risks to the downside.
- We rule out actual earnings catalysts for LNGC.** Although a similar scenario occurred for LNGC daily rates (which surged to >US\$300,000 in early-March), we do not expect MISC to benefit from this segment. Out of its 31 LNGC fleet, only three are available for spot charters, and none of them were utilised according to our channel checks. Although there is negligible earnings impact on the LNGC time charters, we foresee markets increasingly shifting focus towards MISC’s 12 LNGC exposure to Qatar (of which eight were delivered). During the early days of the war (one month ago), Qatar declared force majeure as 17% of its affected LNG export facilities, equating to about 12.8MTPA of LNG supply had to be taken offline due to the Iranian attacks.
- We are seeking clarification from management on such contract clauses.** Typically, it may be non-impact if the force majeure event is short term or less than four months. A moderately long force majeure event may entail a reduced hire fee, and recent news (whereby Qatar extended the pause in LNG deliveries all the way to mid-June) suggest we are almost approaching this scenario. A prolonged force majeure may grant the charterer the right to terminate with a termination fee. However, we have observed in another time charter party contract whereby a “war cancellation clause” can be invoked in 30 days.
- It is theoretically possible for Qatar to relet all of the LNGCs** previously dedicated to its supply chain; however realistically speaking, it will be difficult for all of its 200 dedicated LNGCs to re-secure favourable charters in full utilisation, regardless whether it is spot or another TC even if LNGCs are viewed to be in shortage. This is reminiscent of MISC’s Seri Balhaf and Seri Balqis, which were relet since the Yemen conflict impacted its TC obligations many years ago.
- Possible scenario of market knee-jerk reaction on Qatari LNG risks.** In our view, it will be beneficial for Qatar to exercise termination whenever legally possible, not because of demand shortfall, but to allow Qatar a chance to renegotiate the contracts for better terms. In the evolving LNG landscape, Qatar’s LNG contracts may be viewed as too rigid with less flexibility, vs other LNG producers, although those LNG producers may charge higher pricing

Global Crude Tanker Rates

TCE rates, US\$'000	Start of 2026	Jan-Feb 2026, peak	YTD 2026, peak	20 March week
VLCC, spot	39.5	177.0	318.7	215.1
Suezmax, spot	75.6	128.5	269.7	179.6
Aframax, spot	49.5	78.2	216.9	138.4
VLCC, >1-yr	59.0	78.3	130.0	125.0
Suezmax, >1-yr	47.0	52.3	85.0	70.0
Aframax, >1-yr	39.0	45.8	66.3	57.0

Note: Time charter (TC), Time Charter Equivalent (TCE)
Source: Allied Shipping Weekly, xclusiv Reports

Crude Tanker Secondhand Sales (Jan 26)

Type	No	Age	Invested Cap, US\$m	Average Cap, US\$m
Tankers	101	Na	4,739.0	46.9
- VLCC	43	13	2,995.1	69.7
Suezmax	10	7	523.6	52.4
Aframax	35	14	1,054.8	30.4

Note: Newbuild prices for VLCC/Suezmax/Aframax as of late March 26, are US\$128m/US\$86m/US\$74m respectively
Source: Allied Shipping Weekly

AET Set A Mark: “Reshaping Crude Flows”

- Reuters and Tradewinds reported on 1 Apr 26 that **AET's Aframax Eagle Helsinki** shipped 700,000 barrels of West Texas Intermediate (WTI) Midlands crude cargo to Greece
- It was the first time for this trade flow in about four years
- The Aframax was originally destined for Rotterdam before changing its course mid-Atlantic to **Corinth refinery**
- Corinth is the second largest refinery in Greece. It typically relies to a significant extent on **Iraqi crude from Basrah**, but this flow was about to be stopped amid the ongoing war.

Source: Tradewinds

MISC Spot LNGC Services

LNGC	Available since	Status in 4Q25	Current status*
Seri Balhaf	June 24	Idle	Idle
Seri Balqis	June 24	Idle	Idle
Seri Anggun	June 25	Idle	Idle

Note: Based on our channel checks
Source: MISC

LNG: Assessing Qatar LNGC Risks

- MISC has exposure to 12 QatarEnergy LNGC time charter contracts, at 25% stake each (via a consortium of partners that include K-Line, NYK and CLNG)
- Although 8 were delivered, the fleet's earnings contribution (to JV/associates) were negligible as the vessels were in the ramp-up process
- Qatar declared force majeure as 17% of its affected LNG export facilities, equating to about 12.8MTPA of LNG supply had to be taken offline due to the Iranian attacks
- Recently, Qatar updated that the force majeure may be applied up to 5 years, even if the Straits traffic returns, due to the extensive works for repairs.
- Most recently, Reuters reported that Italy's utility company Edison will begin receiving LNG from the US GoldenPass LNG facility, a JV between ExxonMobil and Qatar.
- A week ago, Edison received notification that Qatar extended a pause in LNG deliveries saying it would not ship 10 cargoes between Apr to mid-Jun 26
- Therefore, it will be critically important for Qatar to update by end-Apr 26 whether LNG production will continue

Source: Reuters, Platts, UOB Kay Hian

depending on what flexibility clauses being offered. Most likely, prior to the Middle East conflict, Qatar did not foresee at all that its Ras Laffan facilities will face this unprecedented force majeure event. In this scenario, we expect a market knee-jerk reaction until Qatar resigns new GSA and LNGC contracts.

Valuation/Recommendation

- **Retain BUY, with a higher SOTP-based target price of RM9.50 (from RM8.70)**, implying 16x 2026F PE (higher vs 14x PE previously and the average five-year PE band). Fundamentally, we see a stable outlook for the 2026 horizon as the key risk on MISC's LNG earnings ie the next batch of eight legacy LNGC expiries will occur only from 2027 onwards. Hence, we retain our 25% LNG discount in our SOTP, but we raised P/B valuations for the petroleum segment from 1.2x to 1.4x, to factor in positive trading sentiment amid favourable geopolitical events. Moreover, MISC demonstrated its ability to replenish contracts in all three segments, hence justifying its ambitious MISC2030 cash flow growth targets (50% operating cash flow growth by 2030, from 2022), and its dividend paying ability.
- Moreover, MISC demonstrated its ability to replenish contracts in all three segments, especially the positive surprise from the recent LNGC awards from Petronas, hence justifying its ambitious MISC2030 cash flow growth targets (50% operating cash flow growth by 2030, from 2022), and its dividend paying ability.

LNG: Assessing Qatar LNGC Risks (Cont)

- We do not have access to any LNGC time charter contract clauses. But we referred to a **gas sales agreement (GSA) signed between Qatar and Pakistan dated 8 Feb 16**.
- In that GSA, **force majeure is applicable** as the war had caused actual damage/loss/failure of Qatar's LNG production plant. It is also applicable in respect of the LNGC, triggering a qualifying scenario being "impassability of waterways normally used en route to the facility"
- There are legal options depending on the duration of the force majeure. For example, if the force majeure extends beyond four months, certain provisions are allowed ie a reduced hire fee for the affected LNGC. If the force majeure extends beyond 12 months, then **parties are entitled to exercise termination**.
- In this case, we **assume there is no fundamental reason for termination** ie the demand for MISC to secure dedicated newbuild LNGC for Qatar will remain, as long as there is market restoration on the repaired facility and trade routes. We assume here that the termination scenario will allow **Qatar a chance to renegotiate more flexible terms** with its end customers and the shipowners.
- Our case may entail an initial knee-jerk reaction on stock prices on the announcement or public knowledge of the realisation of contract terminations, before recovering during the periods when Qatar re-signs the said contracts with the same shipowner parties.

Source: Reuters, Platts, UOB Kay Hian

Earnings Revision/Risk

- **Trim 2026-28 earnings by 1%.** We revised our US\$/RM assumptions from 4.4 to 4.0, which resulted in 5-7% earnings cuts, but offset by higher petroleum earnings assumptions. Key risks are unexpectedly higher costs, and unexpected early terminations of LNGC contracts, especially for the eight legacy LNGCs, or any of the 12 Qatari LNGC without a pathway of recharter/relet or compensation (as this scenario will result in a definite impairment).

SOTP Target Price (based on US\$/RM of 4.00)

Segments	Valuation	RM/share
LNG	25% discount on DCF	2.17
Petroleum	1.4x P/B (raised from 1.2x)	4.01
MMHE (66.5%)	RM0.50 target price	0.12
Gumusut	1x (no DCF discount)	1.74
Kikeh	1x P/B	0.23
FPSO Mero 3	JV DCF, lesser 10% discount	0.48
Other offshore	0.9x P/B	0.75
(-) Net debt	LNG (RM5b); others RM4b	(1.24)
(+) New contracts	Potential contracts; FPSO and LNG	1.25
	16x 2026F PE	9.50

Source: UOB Kay Hian Estimates

Environmental, Social, Governance (ESG) Updates

Environmental
• Carbon (CO2) reduction. Adding new vessels with LNG-dual/ ammonia fuel to meet IMO aspirations (50% greenhouse gas & 70% CO2 reduction by 2050) • Promoting circular economy via green ship recycling. Aims to avoid wastage while disposing of aged vessels that do not meet the carbon reduction criteria. • Safety (HSE). Lost Time Injury Frequency (LTIF) improved to 0.18 (AET: 0.07).
Social
• Diversity. >20 nationalities, >40% female proportion among onshore staff. • Digitalisation/ R&D. Invested RM202m in 2020 to improve employee safety, productivity, maritime supply chain and compliance
Governance
• Achieved 5/5 rating (FTSE4Good) for governance & supply chain management.

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	11,146	12,889	13,613	13,727
EBITDA	4,780	4,692	5,285	5,199
Deprec. & amort.	18,865	18,159	17,704	17,602
5,799	5,859	6,188	6,239	3,181
Associate contributions	29	312	330	312
10,959	11,519	12,079	12,639	(589)
Pre-tax profit	2,226	2,987	3,432	3,181
Tax	(124)	(63)	(72)	(71)
Minorities	(38)	(249)	(251)	(245)
Net profit	1,700	2,676	3,109	2,865
Net profit (adj.)	2,368	2,676	3,109	2,865

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	20,863	22,963	25,063	27,163
Other LT assets				
Cash/ST investment	6,096	6,252	6,320	6,320
Other current assets				
Total assets	53,014	55,228	57,607	59,979
ST debt	1,921	2,800	2,800	2,800
Other current liabilities	5,742	5,715	4,154	4,536
LT debt	11,747	12,307	12,867	13,427
Other LT liabilities	885	885	885	885
53,014	55,228	57,607	59,979	38,045
Minority interest	697	946	1,197	1,443
Total liabilities & equity	53,014	55,228	57,607	59,979

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	4,277	4,753	5,296	5,904
Pre-tax profit	1,284	2,746	3,041	3,482
Tax	74	(58)	(64)	(73)
Other operating cashflows	2,919	2,064	2,319	2,495
Investing	(1,192)	(2,627)	(3,827)	(3,827)
Capex (growth)	(1,985)	(4,620)	(4,620)	(4,620)
Others	793	1,993	793	793
Financing	(4,166)	(2,011)	(2,011)	(2,011)
Others/interest paid	(4,166)	(2,011)	(2,011)	(2,011)
Net cash inflow (outflow)	(1,080)	115	(542)	67
Beginning cash & cash equivalent	7,732	6,677	6,793	6,252
Changes due to forex impact	25	1	1	1
Ending cash & cash equivalent	6,677	6,793	6,252	6,320

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	31.8	29.6	39.2	39.7
Pre-tax margin	9.7	16.9	22.2	23.1
Net margin	9.0	14.9	19.7	20.8
ROA	2.0	4.1	4.6	5.2
ROE	3.2	6.3	7.0	7.9
Growth				
Turnover		69.2	42.4	56.8
EBITDA	3 w-8 0.5	15.0	28.1	42.9
Pre-tax profit	(54.4)	(2.4)	8.1	23.8
Net profit	(53.8)	(6.4)	4.5	21.4
Net profit (adj.)	(6.3)	3.2	11.7	16.1
EPS	20.2	24.0	38.5	60.8
Leverage				
Debt to total capital	40.4	40.2	40.4	40.2
Debt to equity	41.2	41.3	41.7	41.6
Net debt/(cash) to equity	23.4	23.6	25.9	26.2
Interest cover	5.8	7.0	7.6	8.2

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